

**NEED CASH?
Bad Credit?
No Credit?
No Problem!**

*....until you sign
on the dotted line!*

**Educate Yourself About
Your Options to Avoid an
Abusive Loan.**



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“Ensuring equal access to housing for all people through counseling, education, and advocacy.”

Don't Borrow Trouble was developed by Housing Opportunities Made Equal (HOME) in Richmond, Virginia and Freddie Mac through their Virginia Lending Protection Project.

Fair Housing of Marin



DON'T BORROW TROUBLE

Thinking about buying a home, refinancing, or making home improvements? Educate yourself first.



Fair Housing of Marin

What Is an Abusive Loan?

An abusive loan (also known as a predatory loan) is a loan that takes advantage of a borrower and that the borrower may not be able to repay.

Once you've signed loan documents, it can be difficult to impossible to get out of the loan. ANY loan can include fees, interest rates, or contract terms that are predatory or harmful. Make sure you understand ALL parts of your contract - consumers have access to translated documents in five major languages at no extra charge.

Abusive lending at its worst can ruin your credit and cause you to lose your home.

How Can I Recognize an Abusive Loan?

This can be very difficult. Know what you will have to pay each month to repay the entire loan and that you can afford those payments. Know the answers to the following questions. Remember that someone making you a loan is NOT doing you a favor - they are conducting a business transaction. Insist that you sign your escrow documents in an escrow office with an experienced escrow officer who speaks your language. Do not sign with just a notary service present - an escrow officer is qualified to explain the terms of your loan and find answers to your questions.

Homeowners - especially the elderly, minorities, those with damaged credit, and those with low income - should be extra careful when choosing their loans.

Know the Answers to the Following Questions:

WHAT IS THE ANNUAL PERCENTAGE RATE (APR)?

The APR is not the interest rate; it is a way to compare the costs of a loan in terms of a percentage, taking the interest rate into account, along with other costs - processing, discount points, and other fees/charges.

WHAT IS THE MONTHLY HOUSING PAYMENT?

WHAT DOES IT INCLUDE? The monthly payment may or may not include property taxes and home insurance, in addition to the principal and interest. If it only includes principal and interest, you are responsible for paying taxes and insurance separately.

HOW MANY POINTS AM I PAYING? A point equals one percent of the loan. More than two points may be excessive.

WHAT FEES AM I BEING CHARGED? Get all the details - your statement should split out escrow, title, bank, lender, county, appraiser fees, and so on. Ask about fees that don't make sense.

IS THERE A MANDATORY ARBITRATION CLAUSE?

A published decision filed in April 2010 by the Ninth Circuit Court of Appeals affirmed a district court decision that a mandatory arbitration agreement was unenforceable under California law. So if your loan has such a clause, point out that it can't be enforced.

IS THERE A PRE-PAYMENT PENALTY? HOW MUCH AND FOR HOW LONG? This is a penalty for paying your loan off early. If there's a big pre-payment penalty, you may have to pay thousands of dollars to refinance a better loan later.

IS THERE A BALLOON PAYMENT? WHEN DOES IT COME DUE AND HOW MUCH IS IT? Some loans appear manageable because you aren't really paying off all the principal and a large amount will come due all at once in a few years. This is generally a danger sign, especially if the lender didn't volunteer the information.

IS LIFE, DISABILITY OR OTHER CREDIT INSURANCE BEING FINANCED WITH THE LOAN?

This is a VERY expensive way to get insurance to pay off the loan if something happens to you, and many of these policies don't provide the payments you expect. There is no legal requirement that you carry this insurance.

Just Say NO!

Say NO if a lender calls you or comes to your house with an offer, or repeatedly pressures you to refinance an unsecured debt such as a credit card.

Say NO if home improvement contractors come to your home, recommend repairs, and say they can arrange for financing.

Say NO if you are not sure how much your monthly payments will be or if the amount changes significantly.

Say NO if you are not sure you can afford the monthly payments.

Say NO to lenders or brokers who try to intimidate you - a good lender is always happy to answer all of your questions until you are completely comfortable.

Say NO to lenders or brokers who try to rush you or pressure you unnecessarily - while there may be legitimate pressure to lock in a rate or close in a timely manner so as not to lose the lock, you don't HAVE to take the loan. No lender should insist that you close if you don't fully understand the terms of the loan.

Say NO to signing blank loan documents.

Say NO to deals that sound too good to be true - they probably are.

For more information, contact:

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